

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 5/6/2016

Date: **February 11, 2016**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B dollars = Amount

C= number

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

You will provide grants to individuals, including high school seniors and college students. The grants will enable the recipients to complete an undergraduate education at a United States non-profit college of their choice. You expect to award C grants in the first year.

The availability of these scholarships will be publicized in conjunction with other foundation programs through events, presentations, email to school administrators and counselors, and online.

The scholarships will align closely with established current foundation programs which promote and encourage philanthropy. This is a program that is currently hosted at high

schools in three cities in your state and the surrounding areas. Through your program, High School students learn how to invest in their community through philanthropy, which you define as giving of time, talent and treasures.

This scholarship is intended for high school seniors in order to fully support the achievement of a two-year associate or four-year bachelor's degree, or the equivalent. The scholarship will be renewable for up to four years if the student meets your requirements. In the future, this program may be expanded to support further graduate studies.

You have established procedures in order to best serve promising students who are committed to leading philanthropic lives. The procedures shall be interpreted so as to ensure compliance with all applicable requirements of the Internal Revenue Code, including Section 4966, accompanying Treasury Regulations and guidance from the Internal Revenue Service. Those procedures may be amended from time to time.

Grantees will be selected on an objective and nondiscriminatory basis. Any high school senior, who is a United States citizen, within the program will be eligible and have an equal opportunity to submit an application for the scholarship program. The list of eligible schools will expand as the program expands. Eligibility may be extended to other students in the future at the discretion of your Board of Directors.

Based on the number of applications received, designated staff may screen applications and denote those that fit the criteria of selection for the selection committee. All applications would still be available for the selection committee, and your staff screening would not eliminate any applicants from further consideration. The selection committee will ultimately determine their recommendations out of all eligible applicants for final board approval.

Grant recipient selection will be based upon, but not limited to:

- Involvement with the program
- Demonstration of potential
- Commitment to philanthropy
- Articulation of goals, dreams and future plans
- Type of degree that will be pursued
- Academic performance
- Extracurricular activities and related experiences
- Personal statements
- Letters of recommendation
- Personal interview

Preference may be given to applicants of a particular sex, race, ethnic background or religion so long as such preference does not violate public policy. You reserve the right to impose additional, minor reasonable restrictions and/or requirements upon the

awarding of scholarships and the administration of such grants. Any substantial or material changes will be made only with approval by your Board of Directors.

The selection committee will be comprised of designated staff and board members, as well as, community leaders and members who have a relationship with you and understand your culture and goals. Internal stakeholders, who you define as members of the Board of Directors or your staff, will not constitute more than 50% of the selection committee.

Applicants will submit their applications online through a web portal. This will increase ease for the applicants and your control and retention of records of applications.

Scholarships will ordinarily be awarded on a two-year or a four-year basis contingent upon recipients meeting academic, work, volunteer, and extracurricular requirements in each year. In addition, all recipients must also fulfill required participation in an orientation session and other scheduled activities with other scholarship recipients.

Unless otherwise provided in the fund agreement establishing the grant, each grant shall be paid by you directly to the educational institution for the use of the recipient.

All scholarships will be for B dollars unless that amount would exceed total costs for attending school, including qualified tuition and related expenses within the meaning of IRC 117(b)(2), and for room and board. Grants for less than B dollars will be determined on a case by case basis.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements